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Fishery Sector Update and Price Survey

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Report Highlights:

The Russian government continues to take initiatives to improve the efficiency of the fishery industry. Renovation of the coastal fleet and infrastructure, including local processing facilities are the major short-term objectives. Since the beginning of 2010, production of frozen fish, processed fish and canned fish is going up mostly as the result of a larger fish harvest and government measures, including subsidies. However, the government is concerned about the limited availability of locally produced fish and seafood in retail chains and the impact on retail prices. Prices have increased since January 2010 at an average of two percent per month.

General Information:

The fishery industry remains a priority sector for the Russian government. During a recent conference in Murmansk in April 2010, Prime Minister Vladimir Putin and Deputy Prime Minister Viktor Zubkov spelled out new goals aimed at achieving efficiency in the Russian fishery industry. According to a report released by the Deputy Prime Minister Viktor Zubkov, in 2009 the government allocated over 1 billion rubles ($33.5 million) to subsidize interest rates on credits for the construction and renovation of vessels and coastal infrastructure, including building cold storages. However, because of non transparent mechanisms for granting subsidies only 11 fish organizations were able to use this program.

The short-term objectives of the Russian government related to the fishery sector stated at the conference in Murmansk are:

- renovation of the coastal fleet and infrastructure (currently most of cold storage facilities are in emergency state);
- modernization of local processing facilities;
- repairing 11 piers in the Russian ports.

Total financing of the fishery sector in 2009 is estimated at 15.5 billion rubles ($500 million), up 1.5 times from 2008. The outlook for 2010 calls for an expenditure of 14 billion. It also projects a 400 percent increase in financing scientific research.
In addition, the government allocated 600 million rubles to support one of the new initiatives to set up fishery markets in the major regions of Russia, such as Moscow, St. Petersburg, Murmansk and Vladivostok.

In 2009 the net profit of the fishery sector increased by 5.4 times and it is estimated at 11 billion rubles ($366 million). The average salary earned in the sector increased by 20 percent.

The GOR also has introduced several mechanisms to combat illegal fishing, including a mandatory declaration of fish catch at the Russian ports before products can be exported. Enforcement agencies have also increased coordination. Trade analysts believe that the implementation of a strict time limit of 3 hours for registration procedures at the Russian ports has contributed to increased efficiency and a higher catch.

During the conference in Murmansk, Russian Federal Fishery Agency (Rosrybolovstvo) suggested

some changes in the export tax for certain species of fish and seafood, such as increasing export tariffs for raw material and low processed fish. The GOR suggested the measure to be in place in 2009 however, the industry was not prepared to implement it since coastal infrastructure was not ready to store and process larger volumes of fish harvested by the Russian fishermen. The document calls for increasing export tariffs for frozen Pollock, herring and mackerel from current 5 to 10 percent, and for Pollock fillet up to 20 percent. Trade analysts believe that as a result of the new changes, exports of low value processed fish will become unprofitable and it will serve as an incentive to spur local processing. The initiative is also aimed at attracting foreign investments to the sector.

The main concern of the government, despite the increase in production in 2009 and during the first quarter of 2010, is the limited availability of fish and seafood in retail chains and the impact on retail prices. Prices have increased since January 2010 at an average of two percent per month.

On April 14, 2010, Prime Minister Vladimir Putin signed Order #241, which excluded fish and seafood from the list of agricultural commodities. The Order is called to expand regulatory authorities of Rosrybolovstvo in the fishery sector. Trade analysts believe that the new resolution will improve legislation in regards to technical standards for fishery products, its transportation and storage, and terms of delivery of fish and seafood products.

Text of the Order can be found here http://government.ru/gov/results/10279/

Production

In 2009, Russian fishermen harvested 3.7 million MT of fish, 3 million MT of which was further processed. Domestic demand is estimated at 4.5 million MT. According to the Russian Federal Fishery Agency (Rosrybolovstvo) local fish processing facilities have processing capacity of 4.5 million MT. 77 percent of total processing facilities are located on the vessels and 23 percent are on the coast. Frozen fish holds 63 percent of production, followed by processed fish with 31 percent, and canned fish with 4 percent.

According to analysts from the Fishery Producers' Union, production of canned fish in the first quarter of 2010 compared to the same period last year increased significantly by 60.1 percent; followed by frozen fish - 33.6 percent, ready to eat fish - 12.4 percent, and cold smoked fish by 8.7 percent. However, production of some product items during Jan-March 2010 declined, including fish fillet by 49.4 percent, herring for 44.8 percent and fish roe by 37.3 percent.

Analysts also report that retail sales of fish and seafood in March 2010 were higher than in February by

8.6 percent, and sales of canned fish by 8.7 percent.

Table 1 - Russia: Dynamics of Catch and Average Consumption of Fish and Seafood per Capita, 2000-2009.

Year	Total Catch, million metric tons	Per Capita Consumption, in kilograms
2000	3.8	10.0
2001	3.6	11.0
2002	3.4	11.0
2003	3.4	11.0
2004	2.8	12.0
2005	3.2	12.6
2006	3.5	13.1
2007	3.6	13.9
2008	3.3	14.6
2009	3.7	19.1
Source: Russian Fishery Agency		

Imports

Imports of fish and seafood in April 2010 went up by 26.7 percent in comparison with March 2010 and currently are estimated at $165.5 million. Fish fillet is the leading imported item category with an increase of 40 percent or $17 million in value.

Table 2 - Russia: Imports of Fish and Seafood, Jan.-Feb. 2008-2010, in value, $ million.

Rank	Country	2008	2009	2010	10/09 change
1	Norway	108.683	110.85	146.458	32.12
2	United Kingdom	25.749	20.64	29.050	40.75
3	China	22.856	14.32	25.832	80.39
4	Japan	3.705	0.06	17.606	27169.35
5	Canada	8.465	4.22	9.538	126.03
6	Denmark	17.103	11.21	8.383	-25.22
7	Ireland	0.015	0.00	7.327	0
8	Chile	12.078	3.85	5.689	47.88
9	Bangladesh	3.186	0.30	5.016	1550.55
10	Vietnam	22.160	19.95	4.386	-78.01
11	United States	9.909	3.90	4.193	7.5
	Total:	293.073	216.19	304.472	40.83
Source: Russian Customs Committee					

Prices for Fish in the Regions

According to analytical group “Khladoprodukt”, in January - March, 2010, consumer prices for frozen non-eviscerated fish increased by 3.8 percent. Average retail prices for fish are estimated at 80.6 rubles per kilogram.

Table 3: Distribution of Average Prices (in rubles) for Frozen Non-Eviscerated Fish in the Russian provinces (oblasts), March 2010, per kilogram.

Region	Average Price, in rubles per kg
Kurgan oblast	48.1
Novgorod oblast	50.7
Republic of Buryatia	52.1
Kalmykia	52.2
Nenetsk Autonomous District	135.2
Ingushetia Republic	123.3
Moscow City	118.2
Murmansk oblast	105.5
Leningrad oblast	105.1
St.Petersburg City	103.5
Kaliningrad oblast	101.9
Source: Investment and Analytical Group “KhladoProdukt” and “Fisheries Union”	

Higher prices for fish and seafood in the Central and North-western oblasts of Russia are attributed to stronger consumer preferences based on health, nutrition, and low-fat foods. As the result, consumers’ demand in the regions is going up. Quality fish from higher price segment is getting more popular among the population.

Trade sources report that while wholesale prices for Norwegian salmon are increasing, prices for domestic pink salmon and chum salmon, Pollock and poutassou are falling off.

Price Survey

In April 2010, OAA Moscow conducted a price survey of fish and fish products in western Moscow retail outlets and open markets. Post observed a wide variety of traditional fish products - herring, mackerel, and salmon – as well as exotic mostly imported products, including mussels, prawns, snails, scallop and oysters in the higher price segment. Also, the choice of ground fish frozen fillet, produced both locally and imported, continues to be rich. In addition, more varieties of locally harvested fish, such as frozen non-eviscerated navaga, poutossou, haddock, from lower price segments are available in the out door markets. However, open markets do not offer such a variety of imported fish and seafood but rather have more choice of either locally produced fish or frozen fillet of pangasius and tilapia,

imported from China, and chilled and frozen syomga or trout from Norway. Since the end of 2008 purchasing power of the population has decreased as the result of the world economic crisis, stimulating demand for cheaper species of fish. However, since 2010 the demand for fish started to recover, specifically in Moscow and St.Petersburg. The survey indicated that average retail prices for fish and fish products increased from 2 to 5 percent depending on species since December 2009.

Prices also differ significantly between retail outlets and open markets. The price for 1 kilo of chilled Norwegian salmon in Sed'moy Continent (Ru 529) is almost 5 dollars higher than same product in the open market "Bagrationovskiy". Auchan offers huge variety of chilled and frozen fish both domestically produced and imported, as well as different kinds of processed fish. Given the insignificant gap in prices between open markets and Auchan, consumers tend to make purchases at the retail outlet where the choice is wider and the product is sold in attractive and convenient packages. Average fish prices in upscale supermarkets such as "Pyaterochka" and "Sedmoy Continent," tend to be 10 to 30 percent higher than that in the open markets. Chilled salmon from Norway is easily available for $12 to $16 per kilo, depending on the cut, at the open market and discount retailer Auchan. At Sedmoy Continent supermarket, the same product costs $5 more per kilo. In general, the price for imported Norwegian syomga increased by 3 percent since December 2009. As the result of the of record harvest of salmon in Russia in 2009 season, whole non-eviscerated frozen pink salmon from the Far East are easily available for $4.5/per kilo in the open market, that is 4 dollars cheaper than the same fish in upscale retail chains. Prices for fish even in the lower price segments are considered high and not affordable for lower than middle class families. In comparison, the price for a kilo of capelin, the lowest priced fish that can be found in the open market is $2.8 per kilo. It is almost equivalent to the price for a kilo of chilled whole chicken ($3), which most families would prefer.

The price for frozen ground fish fillet, such as Pollock, cod and hake, varies by $2-$5 between regular convenience stores and supermarkets and open market. Price difference between frozen ground fish fillet domestically produced and imported is around $4.

Prices for frozen Pollock and cod fillet from Iceland, Denmark and Norway, are sold at 160-240 Rubles per kilo in the open market, while the price for the same product at the Sedmoy Continent and convenient stores is up to 300 Rubles. The price for herring produced domestically and imported from Norway are stable since 2009, 85 - 95 rubles per kilo and the price does not differ from the outlet.